

177643
S.A!

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January 26, 2006

VIA HAND DELIVERY

The Honorable Charles L.A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
Synergy Business Park, The Saluda Building
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

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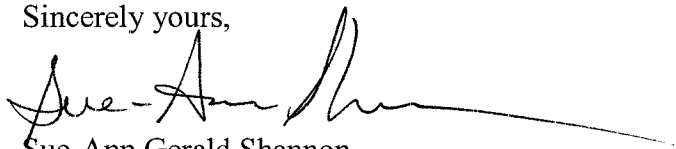
RE: Application of FRC, LLC, for a Certificate of Public Convenience and Necessity
to Provide Intrastate Telecommunications Services as a Carrier's Carrier
Docket No. 2006-42 -C

Dear Terreni:

Please find enclosed for filing an original and eleven (11) copies of an application on behalf of FRC, LLC, in the above-referenced matter. Please clock in a copy of this filing and return it to our courier.

If you have any questions or need further information, please do not hesitate to contact me.

Sincerely yours,


Sue-Ann Gerald Shannon

Enclosures

cc: C. Dukes Scott, Executive Director, Office of Regulatory Staff
(via hand delivery)

STATE OF SOUTH CAROLINA
BEFORE THE PUBLIC SERVICE COMMISSION

DOCKET NO. 2006-_____-C

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2006 JAN 26 PM 4:27
SOUTH CAROLINA
PUBLIC SERVICE
COMMISSION

In Re:

Application of FRC, LLC, for a)
Certificate of Public Convenience)
and Necessity to Provide Intrastate)
Telecommunications Services as)
a Carrier's Carrier)
_____)

APPLICATION

FRC, LLC ("FRC" or "Applicant") hereby applies to the Public Service Commission of the State of South Carolina for a Certificate of Public Convenience and Necessity to provide intrastate telecommunications services as a carrier's carrier. This Application is made pursuant to S.C. Code Ann. § 58-9-280 (2005). In support thereof, Applicant would show as follows:

1. FRC is a limited liability company organized under the laws of the State of South Carolina. See Exhibit A for a Certificate of Existence issued by the South Carolina Secretary of State.

2. The legal name and principal address of the Applicant is:

FRC, LLC
491 Lakeshore Parkway
Rock Hill, South Carolina 29730

3. The Applicant's General Manager is:

Terry R. Metze, Jr.
491 Lakeshore Parkway
Rock Hill, South Carolina 29730
Phone: (803) 329-7905
Fax: (803) 329-4540

4. The Applicant's attorneys are:

M. John Bowen, Jr., Esquire
Sue-Ann Gerald Shannon, Esquire
McNair Law Firm, P.A.
Post Office Box 11390
Columbia, South Carolina 29211
Phone: (803) 799-9800
Fax: (803) 753-3219
Email: jbowen@mcnair.net; sshannon@mcnair.net

For the purposes of this application, please direct all service of process, filings, notices, or related correspondence to the above-named attorneys.

5. Applicant is applying for authority as a Carrier's Carrier to provide intrastate service for interLATA and intraLATA service between two points in the State of South Carolina. FRC may connect to facilities of other common carriers authorized to provide telecommunications services within the State of South Carolina. FRC will not provide service to end-users, but only to certificated carriers in South Carolina. Applicant proposes to offer services throughout the State of South Carolina. Attached is a list of the Applicant's South Carolina points of presence (see Exhibit B).

6. Applicant proposes to offer service pursuant to the rules, regulations, rates, and other terms and conditions as set out in Applicant's initial tariff and, therefore, requests that the Commission approve the tariffs attached hereto (see Exhibit C). In cases in which Applicant offers its services in accordance with individual contracts negotiated with Customers, the applicable regulations, rates, charges, and other terms and conditions will be provided pursuant to the terms prescribed in the tariff. For instance, rates provided for in individual contracts for proposed services may vary, but will be established at levels that do not exceed the maximum rates specified in the most current tariff.

7. Applicant will provide point-to-point service where facilities are available for the transmission of data signals, using a combination of coaxial, fiber optics and microwave.

8. Applicant possesses the technical, managerial, and business experience and resources necessary for the implementation of the service proposed, as shown in Exhibit D.

9. Applicant has the financial support to fund adequately the cash needs of the operations of Applicant, as shown in Exhibit E.

10. Public convenience and necessity will be served by the approval of this Application in that FRC will provide reliable service, route diversity, and competitive prices to South Carolina telecommunications carriers.

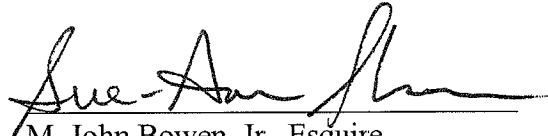
11. The service and facilities provided under this filing shall not be used to bypass the facilities of any local exchange carrier in South Carolina because the service will be available only to common carriers, companies, or entities authorized to provide telecommunications services in the state of South Carolina.

12. Applicant respectfully requests that the Commission grant a waiver of any rule or requirement so as to allow Applicant to continue to keep its financial books and records according to the Generally Accepted Accounting Principles rather than according to the Uniform System of Accounts. Such a waiver is in the public interest and it would constitute an undue burden if Applicant were required to maintain two sets of records.

WHEREFORE, Applicant requests that this Commission grant a Certificate of Public Convenience and Necessity to provide intrastate telecommunications services as a

carrier's carrier within the State of South Carolina and for such other and further relief as is just and proper. A proposed Notice of Filing and Hearing is attached hereto as Exhibit F.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sue-Ann Shannon", written over a horizontal line.

M. John Bowen, Jr., Esquire
Sue-Ann Gerald Shannon, Esquire
MCNAIR LAW FIRM, P.A.
Post Office Box 11390
1301 Gervais Street 29201
Columbia, South Carolina 29211
Phone: (803) 799-9800
Fax: (803) 753-3219
Email: jbowen@mcnair.net;
sshannon@mcnair.net

January 26, 2006

Columbia, South Carolina.

Exhibit A

Certificate of Existence Issued by South Carolina Secretary of State

The State of South Carolina



Office of Secretary of State Mark Hammond

Certificate of Existence

I, Mark Hammond, Secretary of State of South Carolina Hereby certify that:

FRC, LLC, A Limited Liability Company duly organized under the laws of the State of South Carolina on August 30th, 1999, with a duration that is until August 1st, 2049, has as of this date filed all reports due this office, paid all fees, taxes and penalties owed to the Secretary of State, that the Secretary of State has not mailed notice to the company that it is subject to being dissolved by administrative action pursuant to section 33-44-809 of the South Carolina Code, and that the company has not filed articles of termination as of the date hereof.

Given under my Hand and the Great
Seal of the State of South Carolina this
18th day of November, 2005.

A handwritten signature in cursive script that reads "Mark Hammond".

Mark Hammond, Secretary of State

EXHIBIT B

Points of Presence

LIST OF SOUTH CAROLINA POINTS OF PRESENCE

1. Greenville, South Carolina
2. Spartanburg, South Carolina

EXHIBIT C

Proposed Tariffs

FRC, LLC

SOUTH CAROLINA TELECOMMUNICATIONS TARIFF

This tariff contains the rates, terms, and conditions applicable to intrastate telecommunications services as a carrier's carrier provided by **FRC, LLC**, with principal offices located at 491 Lakeshore Parkway, Rock Hill, South Carolina 29730.

This tariff applies for services furnished within the State of South Carolina. This tariff is on file with the South Carolina Public Service Commission, and copies may be inspected during normal business hours at the Company's principal place of business.

Issued: January __, 2006

Effective: February __, 2006

**FRC, LLC
491 Lakeshore Parkway
Rock Hill, South Carolina 29730**

CHECK SHEET

Pages of this tariff, as indicated below, are effective as of the date shown at the bottom of the respective sheets. Original and revised sheets, as named below, comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this page.

<u>SHEET</u>	<u>REVISION</u>
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
11	Original
12	Original

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EXPLANATION OF SYMBOLS

- (C)** - To signify changed rule, regulation, or condition.
- (D)** - To signify discontinued or deleted rate, regulation, or condition.
- (I)** - To signify an increased rate or charge.
- (M)** - To signify material relocated from or to another part of tariff with no change in text, rate, rule, or condition.
- (N)** - To signify new material, including a listing, rate, rule, or condition.
- (R)** - To signify a reduction in a rate or charge.
- (T)** - To signify a change in wording of text but no change in rate, rule, regulation, or condition.
- (Z)** - To signify a correction.

TARIFF FORMAT

- A. **Page Numbering** – Page numbers appear in the upper right corner of the page. Pages are numbered sequentially. When a new page is added between pages already in effect, a decimal is added. For example, a new page added between pages 14 and 15 would be 14.1.
- B. **Page Revision Numbers** - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current page version on file with the South Carolina PSC. For example, the 4th revised Page 14 cancels the 3rd revised Page 14. Consult the Check Page for the page currently in effect.
- C. **Paragraph Numbering Sequence** - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:
- 2.
 - 2.1.
 - 2.1.1.
 - 2.1.1.A.
 - 2.1.1.A.1.
 - 2.1.1.A.1.(a).
 - 2.1.1.A.1.(a).I.
 - 2.1.1.A.1.(a).I.(i).
 - 2.1.1.A.1.(a).I.(i).(1).
- D. **Check Sheets** - When a tariff filing is made with the Commission, an updated Check Sheet accompanies the tariff filing. The Check Sheet lists the pages contained in the tariff, with a cross reference to the current revision number. When new pages are added, the Check Sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). The tariff user should refer to the latest Check Sheet to determine if a particular sheet is the most current on file with the Commission.

SECTION 1 – TECHNICAL TERMS AND ABBREVIATIONS

Application for Service – A standard order form that includes all pertinent billing, technical, and other descriptive information that will enable the Carrier to provide the communications service as required.

Authorization Code – A numerical code, one or more of which are assigned to a customer to enable him or her to access the Carrier, and which are used by the Carrier both to prevent unauthorized access to its facilities and to identify the Customer for billing purposes.

Authorized User – A person, firm, corporation, or other entity authorized by the Customer to receive or send communications.

Certificated – means the holder of a certificate of public convenience and necessity or other certificate issued by the Commission authorizing such holder to provide Telecommunications Service in the State of South Carolina.

Commission – The South Carolina Public Service Commission.

Company or Carrier – FRC, LLC.

Customer – The person, firm, corporation, or other entity that is a Telecommunications Company that orders service and is responsible for payment of charges due and compliance with the Company's tariff regulations.

Day – From 8:00 a.m. up to, but not including, 5:00 p.m., local time Monday through Friday.

Night/Weekend – From 11:00 p.m. up to, but not including, 8:00 a.m., local time Sunday through Friday, and 8:00 a.m. up to, but not including, 5:00 p.m., local time Saturday.

Telecommunications Company – means any Certificated person, firm, partnership, corporation, association, or municipal, county or local governmental entity offering Telecommunications Services to the public for hire.

Telecommunications Services – means services for the transmission of two-way interactive communications to the public for hire.

SECTION 2 – RULES AND REGULATIONS**2.1 Undertaking of Carrier**

Carrier's services and facilities are furnished to Telecommunications Companies originating at specified points within the State of South Carolina under the terms of this tariff.

Carrier installs, operates, and maintains the services provided hereunder in accordance with the terms and conditions set forth under this tariff. It may act as a Customer's agent for ordering access connection facilities provided by other carriers or entities, when authorized by a Customer to allow connection of a Customer's facilities with Carrier's facilities. Carrier's services are provided on a monthly basis, unless ordered or contracted for on a longer-term basis, and are available twenty-four (24) hours per day.

2.2 Limitations

- 2.2.1. Service is offered subject to the availability of facilities and the provisions of this tariff.
- 2.2.2. Carrier reserves the right to discontinue furnishing service, or limit the use of service necessitated by conditions beyond its control, or when the Customer is using service in violation of the law or the provisions of this tariff.
- 2.2.3. All facilities provided under this tariff are directly controlled by Carrier and a Customer may not transfer or assign the use of the service or facilities, except with the express written consent of Carrier. Such transfer or assignment shall only apply where there is no interruption of the use or location of the service or facilities.
- 2.2.4. Prior written permission from Carrier is required before any assignment or transfer. All regulations and conditions contained in this tariff shall apply to all such permitted assignees or transferees, as well as all conditions for service.

2.3 Liabilities of the Company

- 2.3.1.** Carrier's liability for damages arising out of mistakes, interruptions, omissions, delays, errors, or defects in transmission that occur in the course of furnishing services or facilities, which is not caused by the negligence of Carrier's employees or agents, in no event shall exceed an amount equal to the proportionate charges to the Customer for the period during which a fault in transmission occurs.
- 2.3.2.** Customers shall indemnify and hold Carrier harmless against:
- A. Claims for libel, slander, or infringement of copyright arising out of the material, data, information, or other content transmitted over the Carrier's facilities.
 - B. All other claims arising out of any act or omission of the Customer in connection with any service or facility provided by Carrier.
- 2.3.3.** The Commission's acceptance of the liability provisions contained in this tariff does not constitute its determination that the limitation of liability imposed by the Carrier should be upheld in a court of law. Rather, it is more properly construed as a recognition that because it is the duty of the courts to adjudicate negligence claims and rights to recover damages therefor, it is, therefore, the duty of the courts to determine the validity of the exculpatory provisions of this tariff.

2.4. Interruption of Service

- 2.4.1.** Credit allowance for the interruption of service that is not due to Carrier's testing or adjusting, negligence of a Customer or the failure of channels or equipment provided by a Customer are subject to the general liability provisions set forth in 2.3.1. herein. It shall be the obligation of the particular Customer to notify the Carrier immediately of any interruption in service for which a credit allowance is desired. Before giving such notice, the Customer shall ascertain that the trouble is not being caused by any action or omission by the Customer and connected to Carrier's facilities.
- 2.4.2.** For purposes of credit computation for leased facilities, every month shall be considered to have seven hundred twenty (720) hours.

2.4.3. No credit shall be allowed for an interruption of a continuous duration of less than two (2) hours.

2.4.4. A Customer shall be credited for an interruption of two (2) hours or more at the rate of $1/720^{\text{th}}$ of the monthly charge for the facilities affected for each hour or major fraction thereof that the interruption continues.

$$\text{Credit Formula:} \quad \text{Credit} \quad \frac{A}{720} \times B$$

A – Outage time in hours.

B – Total monthly charge for affected facility.

2.5. **Restoration of Service.** The use and restoration of service shall be in accordance with the priority system specified in Part 64, Subpart D of the Rules and Regulations of the Federal Communications Commission.

2.6. **Contested Charges.** Subject to the conditions described in Section 2.8 below, for consideration of any disputed charge, Customers must submit in writing to Carrier within thirty (30) days of the date the bill is issued, the call details and basis for any requested adjustment. Carrier will promptly investigate and advise the Customer as to its findings and disposition. Any undisputed charges billed by Carrier to Customer must be paid on a timely basis. Any disputed charges that cannot be resolved between a Customer and Carrier may be appealed to the Commission.

2.7. **Billing Entity Conditions.** When billing functions on behalf of Carrier or its intermediary are performed by local exchange telephone companies, credit card companies, or others, the payment of charge conditions and regulations of such companies and any regulations imposed upon these companies by regulatory bodies having jurisdiction apply.

2.8. **Taxes.** All federal, state, and local taxes (*e.g.*, excise tax, gross receipts tax, sales tax, municipal utilities tax) are billed as separate line items and are not included in the quoted rates.

SECTION 3 – DESCRIPTION OF SERVICE

- 3.1. **Service Offering: Private Line Service.** A pre-subscribed, flat rate service for Customers.
- 3.2. **Minimum Call Completion Rate.** A Customer can expect service availability of not less than ninety-five percent (95%) during peak use periods.
- 3.3. **Directory Assistance.** Carrier does not provide local directory assistance.

SECTION 4 – RATES**4.1. Private Line Service; Recurring Charges**

Company charges the following range of maximum rates for recurring charges in all rate periods. Based on a Customer's requirements, a Customer may be offered a discount off of the applicable rate. The Company requires a Minimum Aerial Mile per Line of 35 Aerial miles.

DS-1	\$.60 per DSO mile
DS-3	\$.26 per DSO mile
OC-3	\$.12 per DSO mile
OC-12	\$.08 per DSO mile

4.2 Private Line Service; Nonrecurring Charges

Company charges the following range of maximum rates for nonrecurring charges per Line. Based on a Customer's requirements, a Customer may be offered a discount off of the applicable rate.

DS-1	\$600
DS-3	\$800
OC-3	\$5,000
OC-12	\$25,000

4.3. Special Contractual Offerings

Company may, from time to time, negotiate with Customers or prospective Customers for the provision of any of the Company's services and may offer or agree to provide such services on such terms and for such rates and charges as it deems reasonable. Special contracts will be filed with the Commission as may be required by Commission rules.

4.4. Special Promotions

Company may, from time to time, waive or vary the rates and charges associated with certain services for promotional, market research, or other similar business purposes. In no case shall the varying rates and charges exceed the rates and charges listed in the tariff for the same services. The terms and conditions of all such promotions will be submitted to the Commission prior to implementation.

EXHIBIT D

Business Experience Information

Applicant possesses the technical, managerial, and business experience and resources necessary for the implementation of the service proposed.

The Applicant conducts its operations through its manager, PalmettoNet, Inc., which is also one of its two members. PalmettoNet, however, has a large amount of experience within the telecommunications industry. For example, both the Chief Executive Officer and President of PalmettoNet possess a tremendous amount of individual experience in telecommunications. James M. Johnson, CEO of PalmettoNet, began his work in the telecommunications industry with the Bell system in 1965 and, since then, has worked in all facets of telecommunications. Upon retirement from the Bell system, he served as president of three different independent telephone companies, two of which were in Georgia and one in Alabama.

Terry R. Metze, Jr., President of PalmettoNet, began working in the telecommunications industry in 1987, with initial responsibilities in engineering and operations of telephone networks. Since that time, he has continued to work in additional areas within the industry, including executive responsibility over network, operations, and marketing, on behalf of different companies. Mr. Metze began working with PalmettoNet in 1996 and has served in positions of Assistant General Manager and General Manager. He currently serves as its President.

Moreover, FRC, as well as both members of FRC, PalmettoNet and SCANA Communications, Inc., have extensive experience in providing telecommunications services. Listed below are the services provided by the companies and the states in which those services are being provided:

FRC, LLC:

North Carolina – (authorized to provide local exchange and exchange access as a competing local provider); authority in name of FRC, LLC. Initial certificate issued in 2005.

PalmettoNet, Inc.:

- (1) South Carolina – (authorized to provide “carrier’s carrier,” private line, special access, and exchange access services); authority in name of PalmettoNet, Inc.; provides non-switched network, special access, inter-office transport, broadband, and Ethernet-based transport services. Initial certificate issued in 1985.
- (2) Georgia – (authorized to provide intrastate intraLATA and interLATA services); authorized in name of PalmettoNet, Inc.; provides non-switched network, special access, inter-office transport, broadband, and Ethernet-based transport services. Initial certificate issued in 1998.

Business Experience Information (*cont'd*) –

SCANA Communications, Inc.:

- (1) South Carolina – (authorized to provide “carrier’s carrier,” private line, special access, local exchange, exchange access, and interexchange services); authority in name of SCANA Communications, Inc.; provides non-switched local and wide area networks, special access, inter-office transport, and Ethernet-based transport services. Initial certificate issued in 1996.
- (2) Georgia – (authorized to provide local exchange and interexchange services); authorized in name of SCANA Communications, Inc.; intends to offer the same services as above. Initial certificate issued in 2004.
- (3) North Carolina – (authority to provide local exchange, exchange access, and long distance); authority in name of SCANA Communications, Inc.; intends to offer the same services as above. Initial certificate issued in 2004.

EXHIBIT E

Financial Statements

COPY OF CURRENT FINANCIAL STATEMENTS

Attached are copies of the year-end Balance Sheets and Statement of Operations for FRC, LLC, extracted from Applicant's audited financial statements and audited by Bauknight Pietras & Stormer, Certified Public Accountants, 1517 Gervais Street, Post Office Box 1330, Columbia, South Carolina 29202, (803) 771-8943.

Also attached are an unaudited Balance Sheet and Income Statement for year ending December 31, 2005.

Financial Statements

FRC, LLC

*Years Ended December 31, 2004 and 2003
with Report of Independent Auditors*

FRC, LLC
Financial Statements
Years Ended December 31, 2004 and 2003

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BAUKNIGHT PIETRAS & STORMER, P.A.

Report of Independent Auditors

To the Members of
FRC, LLC

We have audited the accompanying balance sheets of FRC, LLC as of December 31, 2004 and 2003, and the related statements of operations, changes in members' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FRC, LLC as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

BAUKNIGHT PIETRAS & STORMER, P.A.

February 4, 2005

FRC, LLC
Balance Sheets

	December 31,	
	2004	2003
Assets		
Current assets:		
Cash and cash equivalents	\$ 704,568	\$ 1,156,768
Accounts receivable - PalmettoNet, Inc.	364,637	409,305
Other current assets	21,458	301,498
Total current assets	<u>1,090,663</u>	<u>1,867,571</u>
Communications system:		
System in service	26,916,057	22,543,785
Accumulated depreciation	<u>(9,782,863)</u>	<u>(6,666,566)</u>
Communications system, net	<u>17,133,194</u>	<u>15,877,219</u>
Total assets	<u><u>\$ 18,223,857</u></u>	<u><u>\$ 17,744,790</u></u>
Liabilities and members' equity		
Current liabilities:		
Accounts payable - trade	\$ 63,265	\$ 16,087
Accounts payable - related parties	271,273	442,578
Total current liabilities	<u>334,538</u>	<u>458,665</u>
Members' equity	<u>17,889,319</u>	<u>17,286,125</u>
Total liabilities and members' equity	<u><u>\$ 18,223,857</u></u>	<u><u>\$ 17,744,790</u></u>

See accompanying notes.

FRC, LLC
Statements of Operations

	Years Ended December 31,	
	2004	2003
Revenues	\$ 4,938,457	\$ 3,876,507
Operating expenses:		
Operating costs	1,616,493	1,278,284
Depreciation and amortization	3,379,966	2,973,786
Selling, general and administrative	351,253	183,564
Operating loss	(409,255)	(559,127)
Other income	12,449	38,808
Net loss	\$ (396,806)	\$ (520,319)

See accompanying notes.

FRC, LLC
Statements of Changes in Members' Equity
Years Ended December 31, 2004 and 2003

Members' equity, December 31, 2002	\$ 14,822,336
Members' equity contributed	2,984,108
Net loss	<u>(520,319)</u>
Members' equity, December 31, 2003	17,286,125
Members' equity contributed	1,000,000
Net loss	<u>(396,806)</u>
Members' equity, December 31, 2004	<u><u>\$ 17,889,319</u></u>

See accompanying notes.

FRC, LLC
Statements of Cash Flows

	Years Ended December 31,	
	2004	2003
Operating activities		
Net loss	\$ (396,806)	\$ (520,319)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	3,379,966	2,973,786
Changes in operating assets and liabilities:		
Accounts receivable	44,668	7,558
Other current assets	16,371	42,321
Accounts payable	(124,127)	405,092
Net cash provided by operating activities	<u>2,920,072</u>	<u>2,908,438</u>
Investing activities		
Construction of communications system	(4,372,272)	(6,787,801)
Proceeds from sale of other assets	--	28,000
Net cash used in investing activities	<u>(4,372,272)</u>	<u>(6,759,801)</u>
Financing activities		
Members' equity contributions	<u>1,000,000</u>	<u>1,492,054</u>
Net cash provided by financing activities	<u>1,000,000</u>	<u>1,492,054</u>
Net change in cash and cash equivalents	(452,200)	(2,359,309)
Cash and cash equivalents, beginning of year	<u>1,156,768</u>	<u>3,516,077</u>
Cash and cash equivalents, end of year	<u>\$ 704,568</u>	<u>\$ 1,156,768</u>

See accompanying notes.

FRC, LLC
Notes to Financial Statements
December 31, 2004 and 2003

1. Description of Business and Summary of Significant Accounting Policies

FRC, LLC (the "Company") is a South Carolina limited liability company, formed on August 30, 1999 to construct and lease fiber optic telecommunications facilities. Under South Carolina statutes, the Company is a "term company" with a limited life of fifty years.

Substantially all of the Company's revenue was generated under a management agreement with PalmettoNet, Inc. ("PalmettoNet"), a member company.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Communications System

The investment in communications system is recorded at cost and includes material, labor and overhead. The costs of construction and equipment are transferred to communications system in service as construction projects are completed and/or equipment is placed in service. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. The Company periodically reviews and adjusts the useful lives assigned to communications system assets to ensure that depreciation is charged to expense over the estimated physical and technological lives of the assets.

During 2004 and 2003, the Company purchased approximately \$2,300,000 and \$8,000,000 in communications systems from PalmettoNet, respectively. For the year ended December 31, 2003, approximately \$1,500,000 of this purchase was treated as contributed capital and has been accounted for as a non-cash investing and financing transaction in the accompanying statements of cash flows.

Revenue Recognition

The Company records fiber optic cable lease revenues to be received under operating leases in the month in which service is provided.

FRC, LLC
Notes to Financial Statements
December 31, 2004 and 2003

1. Description of Business and Summary of Significant Accounting Policies (continued)

Income Taxes

FRC, LLC is a South Carolina limited liability company and therefore is not subject to income taxes. Each member includes in income their distributive share of the Company's taxable income or loss.

Concentrations of Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of its cash and accounts receivable.

The Company maintains its cash and cash equivalents at one commercial bank. Amounts on deposit in excess of federally insured limits were approximately \$828,000 at December 31, 2004.

At December 31, 2004, 98% of the Company's accounts receivable balance was due from PalmettoNet.

2. Management Agreement

The Company leases its telecommunications facilities to PalmettoNet under a management agreement. The Company is responsible for payment of property taxes, insurance, and maintenance costs related to the leased property. PalmettoNet, in turn, leases the telecommunications facilities to telecommunications service providers under non-cancelable operating leases.

Future minimum lease payments to be received from PalmettoNet subsequent to December 31, 2004 are as follows:

2005	\$ 3,572,057
2006	2,640,611
2007	2,268,476
2008	2,022,126
2009	1,896,871
Thereafter	<u>301,955</u>
	<u><u>\$ 12,702,096</u></u>

FRC, LLC
Notes to Financial Statements
December 31, 2004 and 2003

2. Management Agreement (continued)

During 2004 and 2003, PalmettoNet performed various services on behalf of the Company in exchange for a management fee and reimbursement of certain costs. Total payments for these services to PalmettoNet for the years ended December 31, 2004 and 2003 were \$482,739 and \$376,043, respectively.

During 2004, another member company performed various support services on behalf of the Company in exchange for a fee and reimbursement of certain costs. Total payments for these services to the member company for the year ended December 31, 2004 was approximately \$36,500.

3. Lease Commitments

The Company leases land, buildings, telecommunications facilities, and network access under various operating lease agreements with unexpired terms of 6 to 82 months from related parties and others. Total expense under these agreements was approximately \$724,000 and \$524,000 in 2004 and 2003, respectively. Related party rents included in this total were approximately \$102,000 annually in 2004 and 2003.

Minimum annual rentals under non-cancelable lease agreements for years subsequent to 2004 and in the aggregate are:

	Related Party	Third Party
2005	\$ 8,104	\$ 149,625
2006	--	143,506
2007	--	70,155
2008	--	72,051
2009	--	74,213
Thereafter	--	142,050
	<u>\$ 8,104</u>	<u>\$ 651,600</u>

FRC, LLC

Balance Sheet

	<i>December 31, 2005</i>	<i>December 31, 2004</i>	<i>Change</i>
ASSETS			
1. Cash and Cash Equivalents	\$ 2,116,491	\$ 704,568	\$ 1,411,923
2. Accounts Receivable - Net	(14,804)	364,637	(379,441)
3. Prepaid Expenses	13,608	21,458	(7,850)
Total Current Assets	2,115,295	1,090,663	1,024,632
4. Construction in Progress	1,420,213	185,843	1,234,370
5. Property, Plant & Equipment, Net	16,119,447	16,947,350	(827,903)
Non-Current Assets	17,539,660	17,133,193	406,467
TOTAL ASSETS	19,654,955	18,223,856	1,431,098
LIABILITY AND EQUITY			
6. Accounts Payable - Trade	815,713	111,677	704,036
7. Accounts Payable - Related Parties	439,367	222,861	216,506
8. Accruals	5,631	-	5,631
9. Deferred Revenue	-	-	-
Total Liabilities	1,260,710	334,538	926,173
EQUITY			
10. Partner's Capital-PalmettoNet	9,103,469	9,103,469	-
11. Partner's Capital - SCI	9,103,469	9,103,469	-
12. Prior Year Earning (Loss)	(317,619)	79,184	
13. Year to Date Earnings (Loss)	504,925	(396,804)	901,728
Equity	18,394,244	17,889,318	504,926
TOTAL LIABILITIES & EQUITY	\$ 19,654,955	\$ 18,223,856	\$ 1,431,098

FRC, LLC

(Year ending December 31, 2005)

	<u>Actual</u>
REVENUE:	
1. Lease of Fiber Facilities	5,537,303
2. Other Revenue	343,707
3. Maintenance Revenue	259,429
4. Less Uncollectible Revenue	<u>(10,000)</u>
5. Total Revenue	6,130,439
 EXPENSES AND MISCELLANEOUS TAXES:	
6. Lease of Land & Building	869,262
7. Maintenance & Network Operations	555,750
8. Depreciation & Amortization	3,314,964
9. Engineering Fees	18,090
10. Transmission Power	93,737
11. Property and Miscellaneous Taxes	321,235
12. Alarm Monitoring	89,256
13. Sales & Administration	174,000
14. Advertising	1,306
15. Accounting & Billing	33,600
16. Professional & Legal Fees	75,879
17. Insurance	55,800
18. Other Office Expense	21,133
19. Travel Expense	-
20. License and Fees	6,159
21. Other Expense	20,267
22. Management Fees	<u>100,000</u>
23. Total Expense & Misc Taxes	<u>5,750,438</u>
 INCOME BEFORE MISC INC & INC TAX	<u>380,001</u>
 Miscellaneous Income & Expense	
24. Interest Income	23,724
25. Other Income (Expense)	<u>101,200</u>
Total Miscellaneous Income & Expense	<u>124,924</u>
 Net Income (Loss)	<u><u>504,925</u></u>

EXHIBIT F

Notice of Proposed Filing and Hearing

NOTICE OF FILING AND HEARING

FRC, LLC, ("FRC" or "Applicant") filed an Application with the Public Service Commission of South Carolina for a Certificate of Public Convenience and Necessity to Provide Intrastate Telecommunications Services as a Carrier's Carrier.

A copy of the Application is on file in the office of the Public Service Commission of South Carolina, 101 Executive Center Drive, Saluda Building, Columbia, South Carolina 29210, and is available through M. John Bowen, Jr., Esquire, or Sue-Ann Gerald Shannon, Esquire, McNAIR LAW FIRM, P.A., 1301 Gervais Street, 11th Floor, Columbia, South Carolina 29201.

PLEASE TAKE NOTICE: A hearing on the above matter has been scheduled to begin at _____ before the Hearing Examiner in the Commission's Meeting Room at 101 Executive Center Drive, Saluda Building, Columbia, South Carolina 29210.

Any person who wishes to participate in this matter as a party of record with the right of cross-examination should file a Petition to Intervene in accordance with the Commission's Rules of Practice and Procedure on or before _____, 2006 and indicate the amount of time required for presentation. *Please refer to Docket No. 2006-____-C.*

Any person who wishes to be notified of the hearing, but does not wish to present testimony or be a party of record, may do so by notifying the Docketing Department in writing at the address below on or before _____, 2006. *Please refer to Docket No. 2006-____-C.*

PLEASE TAKE NOTICE: Any person who wishes to have his or her comments considered as a part of the official record of this proceeding **MUST** present such comments, in person, to the Hearing Officer during the hearing.

Persons seeking information about the Commission's Procedures should contact the Commission by dialing (803) 896-5100.

Public Service Commission of South Carolina
Docketing Department
Post Office Drawer 11649
Columbia, South Carolina 29211

_____, 2006